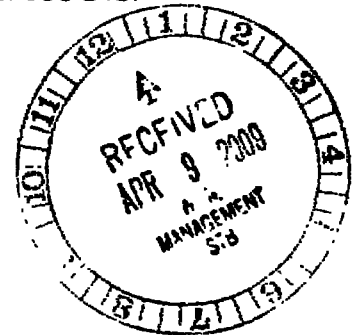


NATIONAL RAILWAY EQUIPMENT CO.



HOME OFFICE: 14400 S ROBEY STREET P O BOX 2270 · DIXMOOR, ILLINOIS 60426
TELEPHONE (708) 388-6002 · FAX (708) 388-2487

April 6, 2009



Hon. Vernon A. Williams
Secretary
Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

RECORDATION NO. 27905 FILED

APR 10 2009

11-10 AM

SURFACE TRANSPORTATION BOARD

Attn: Equipment Recordation

To Whom It May Concern:

I have enclosed for recordation, pursuant to the provisions of 49 U.S.C. 11301, an original and one counterpart of the locomotive lease agreement, as well as a memorandum of lease agreement and a schedule, all of which is dated March 2, 2009, a primary document under the Board's recordation regulations.

The names and addresses of the parties to the enclosed document are as follows:

Lessor: National Railway Equipment Co.
14400 S. Robey St.
Dixmoor, IL 60426

Lessee: Vermont Railway
One Railway Lane
Burlington, VT 05401-5290

A description of the equipment covered by the Lease Agreement is as follows:

Two B23-7 GE Road-Switcher Locomotives, bearing road #s NREX 4211
and NREX 4212

A short summary of the document to appear in the index is as follows:

"Locomotive Lease Agreement"

Also enclosed is a check in the amount of \$41.00 payable to the Surface Transportation Board to cover the required recordation fee for the attached agreement.

Please date-stamp and return an original copy after recordation to:

Amanda L. Harding
National Railway Equipment Co.
14400 South Robey Street
Dixmoor, IL 60426

Sincerely,

NATIONAL RAILWAY EQUIPMENT CO.

By: *Amanda L. Harding*
Amanda L. Harding

APR 10 '09

11:10 AM

LOCOMOTIVE LEASE AGREEMENT

SURFACE TRANSPORTATION BOARD

THIS LOCOMOTIVE LEASE AGREEMENT ("Lease"), entered into as of this 2nd day of March 2009, between the National Railway Equipment Co., an Illinois corporation, ("LESSOR"), and Vermont Railway, ("LESSEE").

LESSOR AND LESSEE HEREBY AGREE AS FOLLOWS:**1. LEASE AND LEASED PROPERTY**

Lessee hereby leases from Lessor, the locomotives, ("Locomotives" or "locomotives"), together with the parts, accessories, attachments and devices, if any, now or hereafter affixed thereto, as described in Schedule "A" attached to and made part hereof.

2. TERM

The term of this Lease for the locomotives shall be the fixed term set forth in Schedule "A", commencing on the date such locomotives are accepted by Lessee ("Commencement Date"). In the event of default of the lease, Lessee shall affect prompt delivery of the locomotives to Lessor at one of its manufacturing facilities in Illinois or Kentucky.

3. RENTAL

A. The rental payable shall be the sum identified in Schedule "A" payable in advance monthly installments, with one month of advance rent payable upon purchase order receipt date and, in addition, two months of advance payment to be held as a security deposit. Lessee shall operate such locomotives in service on its railroad. If the Commencement Date for any locomotives does not fall on the first day of the month, the first rental payment shall be prorated accordingly.

B. Payments past due for more than five (5) days shall bear interest at the rate of twelve percent (12%) per annum.

C. All rentals shall be paid to Lessor at:

National Railway Equipment Co.
1473 Paysphere Circle
Chicago, IL 60674

or at such other address as Lessor may direct in writing.

4. TAXES

Lessee shall pay all use, excise, ad valorem, stamp, documentary and similar taxes on or relating to this lease of the locomotives, or the use, registration, rental, maintenance, possession or operation thereof, and shall file any returns required therefor, and shall hold Lessor harmless against any liability and expense (including attorney fees and costs) on account of Lessee's failure to do the same.

5. OWNERSHIP AND LESSOR'S INSPECTION

- A. The locomotives shall at all times remain the sole and exclusive property of the Lessor.
- B. Upon reasonable notice to Lessee, Lessor or its agents shall have free access to the locomotives at reasonable times for the purpose of inspections.
- C. No accessions, additions, alterations or improvements to the locomotives of any nature shall be made without Lessor's consent, but if any are made, they immediately shall become part of the locomotives and shall become Lessor's property.
- D. Lessee shall keep the locomotives, at all times, free and clear from all claims, liens and encumbrances.
- E. This Lease is intended to be a true lease of the locomotives and shall be not be construed as creating a sale of the locomotives to Lessee.

6. DELIVERY/RETURN

Lessee shall accept delivery of the locomotives at Lessor's manufacturing facility in Silvis, Illinois. The lease billable days shall commence upon shipment receipt of the locomotives at Lessee's project site. Lessee will have the option of returning the B23-7 locomotives at Lessee's expense to Silvis, Illinois either promptly upon termination of the lease or by October 31, 2009 with storage and protective insurance to the account of Lessee. In the event the Lessor is unable to sell the two B23-7 locomotives by October 31, 2009, Lessee will be responsible for returning the locomotives to Silvis, Illinois at Lessee's expense in the same condition as originally delivered, reasonable wear and tear excepted. In the event of default, as set forth in Articles 11 and 12, Lessee shall return such locomotives to Lessor at its Silvis, Illinois manufacturing facility ("Inspection Location") in good order and condition, reasonable wear and tear excepted. Lessor shall bear freight outgoing and return costs. Lessee shall pay or reimburse Lessor for any reasonable and ordinary expenses incurred by Lessor in returning the locomotives to good order and condition, in delivering the locomotives to Lessor or affecting return of the locomotives from Lessee as provided herein. All obligations of Lessee under this Lease shall continue with respect to any locomotives not returned by the expiration options or earlier termination as permitted herein until such locomotives are returned to the Lessor's Inspection Location in accordance herewith.

7. LESSEE'S INSPECTION/WARRANTY DISCLAIMER

- A.
 - i. Lessee hereby acknowledges that Lessee has had or will have the opportunity to inspect the locomotives prior to accepting delivery of same, and that acceptance of delivery of the locomotives by Lessee constitutes acknowledgment that the locomotives has been received in good condition and repair.
 - ii. Lessor shall not be responsible for the normal servicing, consumables and FRA required inspections during the term of this lease and/or any minor repairs or normal maintenance of the locomotives. However, Lessor shall provide (at Lessor's expense) a

field service technician (s) to service potential problem repairs of these locomotives which are beyond the normal capabilities of the Lessee. Repairs related to neglect, abuse, improper operation, theft, vandalism, Acts of God, etc., however, will be to the account of the Lessee.

B. Delivery to and acceptance of the locomotives by, and execution of a Schedule with respect thereto by Lessee shall constitute Lessee's acknowledgment that the locomotives are of the manufacture, design and utility, quality and capacity selected by the Lessee, that Lessee is satisfied that the same is suitable for Lessee's purpose. **LESSOR MAKES NO REPRESENTATION OR WARRANTY EXPRESS OR IMPLIED, WITH RESPECT TO THE CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF THE LOCOMOTIVES**, and Lessor hereby disclaims all such representation and warranties. **LESSOR SHALL NOT BE RESPONSIBLE FOR ANY CONSEQUENTIAL, INCIDENTAL OR INDIRECT DAMAGES.**

8. USE AND MAINTENANCE

Lessee agrees that:

A. Lessee shall be responsible and pay for all registrations, certificates, and permits, and all other similar requirements of governmental authorities, whether required to be obtained in the name of the Lessor or Lessee.

B. The locomotives shall be used and operated only by properly qualified, trained and registered personnel authorized by Lessee.

C. Lessee shall comply with all federal, state, municipal and local laws, ordinances, and rules, and regulations relating to the lease, possession, insuring, use and operation of the locomotives.

D. Lessee shall be solely responsible for the payment of any and all fines, penalties or forfeitures (including without limitation the confiscation of the locomotives) levied upon or arising out of the use, operation, maintenance or insuring of the locomotives in violation of any law, ordinance, rule or regulation of any governmental authority.

E. Lessee shall pay all costs, expenses and charges incurred in connection with the maintenance, lease, use and operation of the locomotives.

F. Lessee shall maintain the locomotives in good mechanical condition and running order and in compliance with OEM specifications and safety rules and regulations now or hereafter promulgated by applicable governmental authorities.

G. Lessee shall keep and maintain any and all books and records and make any filings required by any governmental authority with respect to the possession, lease, use or operation of the locomotives.

9. INSURANCE/INDEMNIFICATION

A. The Lessee will at all times during the term of the Agreement, at its own expense, cause to be carried and maintained insurance in respect of the Locomotives in the full value described in Schedule A. Lessee shall have the right to be self insured with respect to the requirements of this paragraph.

B. Lessee shall furnish Lessor with a certificate(s) of insurance or other evidence of said insurance coverage.

C. Notwithstanding that Lessee shall provide certain insurance hereunder and irrespective of any responsibility for negligence, Lessee does hereby agree to defend, indemnify, protect and hold harmless Lessor and any assignees or successors of Lessor, and their respective employees and agents, from and against any and all losses, liabilities (including without limitation strict liability imposed by law), damages, injuries, claims, demands and expenses (including legal expenses) of whatsoever kind and nature, resulting from or arising out of the use, condition, operation or ownership of any locomotives. This covenant of indemnity shall continue in full force and effect notwithstanding the termination of this lease or the termination of the lease of any locomotives.

D. Lessee assumes and agrees to indemnify, protect and hold free and harmless Lessor, any assignee or successor of Lessor, and their respective employees or agents, irrespective of any responsibility for negligence, from any loss, damage, theft or destruction of any locomotives. In the event of damage to a Locomotive, Lessee shall immediately place the same in good repair (ordinary wear and tear excepted). If Lessor, in the exercise of its reasonable judgment, determines that any item of Equipment is lost, stolen, destroyed, damaged beyond repair or rendered permanently unfit for use for any reason, or in the event of condemnation or seizure of a Locomotive, Lessee shall (at Lessee's option provided Lessee is not then in default under the Lease) (i) replace such locomotives with substantially similar equipment of equal or greater value and in good repair and transfer title thereto to Lessor free and clear of any all liens, claims and encumbrances of any kind or nature whatsoever, or (ii) pay Lessor in cash the sum of (a) any installments of rent and other amounts payable by Lessee hereunder with respect to such item due but unpaid at the date of such payment plus (b) the Replacement Value of such Locomotives determined in accordance with Schedule A. Upon payment of such amount to Lessor, such item shall become the property of Lessee, Lessor will transfer to Lessee, without recourse or warranty, all of Lessor's right, title and interest therein, the rent with respect to such item shall terminate, and the basic rental payments on the remaining items shall be reduced accordingly. Lessee shall pay any sales and use taxes due on such transfer.

D. If Lessee shall fail to obtain or maintain the insurance coverage required in this lease, or shall fail to furnish Lessor with evidence thereof, Lessor at its option, may obtain such required insurance coverage on behalf of Lessee and Lessee's expense.

10. ASSIGNMENT. THIS LEASE HAS BEEN COLLATERALLY ASSIGNED BY LESSOR TO LASALLE BANK NATIONAL ASSOCIATION (the "Bank"). Lessee expressly agrees that Lessor shall remain liable under this Lease to perform all of the conditions and obligations provided herein to be observed and performed by it, and neither the collateral assignment of this

Lease to Bank by Lessor nor any action taken pursuant to such assignment shall cause Bank to be under any obligation or liability in any respect to any party to this Lease, including, without limitation, Lessee, for the performance or observance of any of the representations, warranties, conditions, covenants, agreements or other terms of this Lease. Notwithstanding any provision to the contrary herein, this Lease may not be amended or modified without the prior written consent of Bank. Lessee will not sell, assign, sublet or otherwise encumber or permit a lien arising through Lessee to exist on or against any interest in this Lease or the Locomotives.

11. DEFAULT

A. Lessee shall be in default under this Lease upon the happening of any of the following events or conditions ("Event of Default"):

- i. Default in the payment when due of any installment of rental hereunder or of any other obligation for the payment of money now or hereafter owed by Lessee to Lessor.
- ii. Default in the timely performance of any other liability, obligation, covenant or agreement hereunder of Lessee.

12. REMEDIES UPON DEFAULT

A. Upon the occurrence of any Event of Default or at any time hereafter, Lessor, in its sole discretion, may take any one or more of the following actions with respect to the locomotives:

- i. Declare all unpaid amounts of rental to be immediately due and payable.
- ii. Terminate the lease of any or all locomotives by written notice to Lessee.
- iii. Whether or not the lease is terminated, take possession of any or all locomotives wherever found, and for this purpose Lessor may at Lessor's option enter upon the premises where such locomotives are located and take immediate possession of and remove the same, all without liability to Lessee for damage to property or otherwise.
- iv. Require that Lessee shall, upon written demand by Lessor and at Lessee's expense, promptly make available to Lessor at Lessee's expense, any or all Equipment at places designated by Lessor, which is reasonably convenient to both parties.
- v. Use, hold, sell, lease or otherwise dispose of any or all such locomotives as Lessor in its sole discretion may decide, without affecting the obligations of Lessee as provided in this Lease.
- vi. Sell or lease any or all locomotives, at public or private sales or proceedings, at such time or times and upon such terms as Lessor may determine, free and clear of any rights of Lessee and, if notice thereof is required by applicable law, any notice in writing of any such sale or Lease by Lessor to Lessee not less than five (5) days prior to the date thereof shall constitute reasonable notice to Lessee.

vii. Proceed by appropriate action either at law or in equity to enforce performance by Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof or to rescind the lease hereunder of any or all locomotives.

viii. Exercise any and all rights and remedies available to Lessor under any applicable law. In addition, Lessee shall be charged with and shall pay to Lessor all reasonable costs and expenses of Lessor incurred as a result of each Event of Default by Lessee.

B. None of the rights and remedies under or referred to in this Article is intended to be exclusive, but each such right or remedy shall as to each locomotives be cumulative and may be availed of separately or concurrently with or in addition to any other right or remedy provided or referred to herein or otherwise available to Lessor at law or in equity. Any repossession or subsequent sale or lease by Lessor of any locomotives shall not bar an action against lessee for a deficiency. To the extent permitted by applicable law, **LESSEE WAIVES ANY AND ALL RIGHTS TO NOTICE AND TO A JUDICIAL HEARING WITH RESPECT TO THE REPOSSESSION OF EQUIPMENT BY LESSOR AS A RESULT OF ANY EVENT OF DEFAULT HEREUNDER BY LESSEE.**

C. Without limitation of any rights of Lessor otherwise existing or otherwise available to Lessor, it is expressly covenanted and agreed by the parties hereto that in the event of any assignment by operation of law of this Lease or of any lease hereunder, or of a bankruptcy of Lessee within the meaning of the Federal Bankruptcy Act, then Lessor may, at Lessor's election, terminate this Lease or any one or more leases hereunder.

13. RECORDATION OF LESSOR'S INTEREST

Lessee agrees to execute all recording documents requested by Lessor to show Lessor's interest in the locomotives. Lessee further authorizes Lessor to execute and file financial statements or other documents evidencing Lessor's interest in the locomotives without Lessee's signature.

14. MISCELLANEOUS

A. This Lease and all rights and obligations hereunder shall be governed by and construed in accordance with the laws of the State of Illinois.

B. Neither this Lease nor any schedule shall be amended, and no provision hereof or of any Schedule shall be waived or varied unless by a writing signed by the parties.

C. No delay or omission by Lessor in exercising any right hereunder shall operate as a waiver of such right or any other right. A waiver by Lessor of any Event of Default by Lessee shall not be construed as a waiver of any future occasion.

D. In case any provision (or portions thereof) in this Lease shall be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions (or portions thereof) hereby shall not in any way be affected or impaired thereby.

E. This Lease shall be binding upon and inure to the benefit of Lessor and Lessee and their respective successors.

F. All notices permitted or required to be given pursuant to this Lease shall be mailed by Certified or Registered Mail, Return Receipt Requested to the parties at the following addresses or at such other addresses as each party may notify the other.

If to Lessor: National Railway Equipment Co.
14400 S. Robey
Dixmoor, Illinois 60426

If to Lessee: Vermont Railway
One Railway Lane
Burlington, Vermont 05401-5290

WITNESS WHEREOF, the parties have executed this Lease the day and year first mentioned above.

LESSOR:

LESSEE:

**NATIONAL RAILWAY EQUIPMENT
CO.**

VERMONT RAILWAY

BY:

NAME: James M. Wurtz, Jr.

TITLE: Vice President

BY:

NAME: D. Wulfsberg

TITLE: President.

ATTEST: Robert E. Loewer, Jr.

BY:

TITLE: Director of Finance

ATTEST:

BY:

TITLE:

(Corporate Seal)

(Corporate Seal)

SCHEDULE "A"

Attached to and incorporated into the Lease dated the 2nd day of March 2009 by and between the National Railway Equipment Co. (LESSOR) and Vermont Railway (LESSEE).

Type and General Description of Locomotives Unit, Marks and Numbers:

UNIT NO.	TYPE	GENERAL DESCRIPTION
NREX 4211	B23-7	GE Road- Switcher Locomotive
NREX 4212	B23-7	GE Road- Switcher Locomotive

LEASE TERM

90-180-365 Days

90-180-365 Days

RENEWAL RATE AND TERM: The term of this Lease shall be at least three (3) months and shall terminate thereafter upon ten (10) days notice of termination by the Lessee if not terminated prior pursuant to the other termination provisions set forth in the Lease. Prior to the end of initial twelve (12) months of the lease term if this Lease is not terminated prior, the daily lease rate per day per locomotive shall be at fair market value as determined by the parties in good faith, the term shall be as stated above and all provisions of this Lease shall apply. If the parties have not signed a written agreement reflecting the foregoing before the end of the 12 months, then lease shall expire pursuant to the other provisions herein.

Delivery transportation costs of the locomotives from and to Lessor's manufacturing facility in Silvis, Illinois shall be to the account of the Lessee unless the locomotives are sold by Lessor within 120 days of the lease cessation date or by October 31, 2009, whichever event occurs first.

COMMENCEMENT DATE: The lease billable days shall commence upon shipment receipt and commissioning of the locomotives at Lessee's project site.

Lessee agrees to pay the first month of rent with the execution of the Locomotive Lease Agreement and, in addition, two months of advance payment to be held as a security deposit for the locomotives. Lessee will be given a day's credit for every day each Locomotive is out of service.

LESSOR: NATIONAL RAILWAY EQUIPMENT CO.

BY:

NAME:

James M. Wurtz, Jr.

TITLE:

Vice President

LESSEE: VERMONT RAILWAY

BY:

NAME:

D. Wulston

TITLE:

President

MEMORANDUM OF LEASE AGREEMENT

THIS MEMORANDUM OF LEASE AGREEMENT is made and entered into as of March 2, 2009, by and between NATIONAL RAILWAY EQUIPMENT CO. ("Lessor"), and VERMONT RAILWAY ("Lessee"), with reference to the following:

1. Lessor has agreed to lease to Lessee, and Lessee has agreed to lease from Lessor, Locomotive model(s) described herein.

Each locomotive is fully-described in a certain Lease Agreement dated as of March 2, 2009, (together with all of the riders, schedules and other attachments thereto, collectively, the "Lease"), each between Lessor and Lessee. A Schedule of the equipment is attached hereto.

2. The Lease shall be effective as of the date hereof and shall be subject to the term specified in the Lease, and any extension of such term to the extent provided for in the Lease.

The Memorandum of Lease Agreement may be executed in any number of counterparts, each executed counterpart constituting an original but all together only one Memorandum of Lease Agreement.

IN WITNESS WHEREOF, the parties hereto have executed or caused this Memorandum of Lease Agreement to be executed as of the date first above written.

LESSEE:

VERMONT RAILWAY

By: 

Name: D. Wolfson.

Title: President.

LESSOR:

NATIONAL RAILWAY EQUIPMENT CO

By: 

Name: James M. Wartz, Jr

Title: Vice President

STATE OF Vermont)
COUNTY OF Chittenden) SS.

On this 11 day of MARCH, 2009, before me appeared DAVID WOLFSON, the person who signed this instrument who acknowledged that (s) he is the President of VERMONT RAILWAY and that, being duly authorized, (s) he signed such instrument as a free act on behalf of said corporation.

MaryAnn Mcker

Notary Public

[Seal]

My Commission Expires:

2/10/11

STATE OF ILLINOIS)
COUNTY OF COOK) SS.

On this 27th day of March, 2009, before me appeared James M. Wurtz Jr., the person who signed this instrument who acknowledged that (s) he is an officer of **NATIONAL RAILWAY EQUIPMENT CO.** and that, being duly authorized, (s) he signed such instrument as a free act on behalf of said corporation.

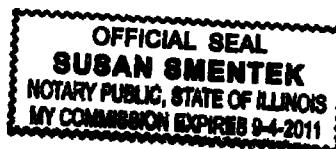
Susan Smentek

Notary Public

[Seal]

My Commission Expires:

9-4-2011

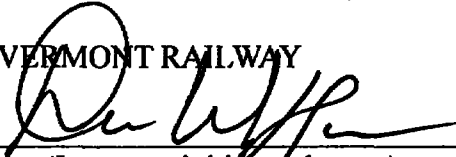


SCHEDULE OF EQUIPMENT

Lessor: NATIONAL RAILWAY EQUIPMENT CO.

Lessee: VERMONT RAILWAY

Approved by:


(Lessee to initial each page)

Equipment Located at:

National Railway Equipment Co.'s manufacturing facilities in Silvis, Illinois

Equipment Schedule No.: See Schedule "A"

Manufacturer and/or Vendor
Name & Invoice Number

Equipment
Description

National Railway Equipment Co. GE B23-7 Road-Switcher Locomotives